

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-13 AID-05 CIAE-00

COME-00 EB-07 FRB-03 INR-07 NSAE-00 USIA-06 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 L-03 H-02 PA-01 PRS-01 /105 W

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 9191

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USADB

FOR NAC AGENCIES

PASS TREASURY FOR ERB/ZINMAN

E.O. 11652: ADS, DECLAS: 8/20/76

TAGS: EAID, EFIN

SUBJECT: REVIEW OF BANK'S RESOURCE POSITION AND PROPOSAL FOR
INCREASE IN BANK'S CAPITAL STOCK

REF: (A) 75 MANILA 15965; (B) 75 MANILA 17734
(C) TREASURY 76-78

1. ADB DOC. R88-76 ON ABOVE SUBJECT POUCHED AUGUST 18
AND IS SCHEDULED FOR BOARD CONSIDERATION 7 SEPTEMBER 1976.

2. ADB PRESIDENT PROPOSES AND RECOMMENDS TO BOARD
THAT (A) CAPITAL INCREASE (I) SHOULD BECOME EFFECTIVE
BEFORE END OF 1977, (II) BE EQUAL TO 135 PERCENT OF
CAPITAL STOCK OF BANK, (III) BE 90 PERCENT IN CALLABLE
SHARES AND 10 PERCENT IN PAID-IN SHARES INSTEAD OF 85
AND 15 PERCENT RESPECTIVELY AS RECOMMENDED EARLIER, AND
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(IV) HAVE PAID-IN PORTION PAYABLE IN FOUR EQUAL ANNUAL

INSTALMENTS BEGINNING 1978 WITH UNDERSTANDING THAT OF EACH INSTALMENT 40 PERCENT SHOULD BE PAID IN CONVERTIBLE CURRENCY AND 60 PERCENT IN MEMBER CURRENCY, THE LATTER OF WHICH MAY BE IN NON-NEGOTIABLE, NON-INTEREST BEARING DEMAND NOTES; AND (B) DEMAND NOTES AND SIMILAR OBLIGATIONS IN NATIONAL CURRENCIES DEPOSITED BY NON-REGIONAL MEMBERS, AUSTRALIA AND JAPAN RELATING TO FIRST GENERAL AND OTHER SPECIAL CAPITAL INCREASES SHOULD BE ENCASHED IN THREE EQUAL INSTALMENTS IN 1977, 1978 AND 1979. IF BOARD APPROVES ABOVE PROPOSAL, ADB PRESIDENT REQUESTS BOARD COONSIDERATION AND APPROVAL OF ATTACHED DRAFT REPORT OF BOARD OF DIRECTORS TO BOARD OF GOVERNORS AND DRAFT GOVERNORS' RESOLUTION. USADB REQUESTS NAC GUIDANCE.

3. ADB PRESIDENT'S RECOMMENDATIONS IN ADB DOC. R88-76 IS A REVISION OF ADB DOC. R111-75 DATED NAOVEMBER 1975 AS CONSEQUENCE OF NUMBER OF BOARD DISCUSSIONS AND ACTIONS. HOWEVER, REVISIONS RESULTED ONLY INREDUCING PROPOSAL ON PAID-IN PORTION TO 10 PERCENT FROM 15 PERCENT. REVISIONS WERE MADE IN FINANCIAL PROJECTIONS DUE PRIMARILY TO (A) AVAILABILITY OF ACTUAL 1975 FINANCIAL DATA, (B) INCREASE IN LENDING RATE ON OC LOANS FROM 8 JUNE 1976 TO 9.10 PERCENT FROM 8.75 PERCENT AND (C) SLIGHT INCREASE IN COMMITMENT CHARGE. THESE REVISIONS REQUIRED ADJUSTMENTS IN JUSTIFYING PROPOSAL TO INCREASE CAPITAL.
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